



COUNCIL MINUTES

May 27, 2010

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 27, 2010 at 7:32 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Dina Higgins
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Alex Finter
Kyle Jones
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Mayor Smith excused Vice Mayor Jones and Councilmembers Finter and Somers from the meeting.

1. Hear a presentation, discuss and provide direction on FY 2010/11 budget issues, including but not limited to:

a. Budget Update

City Manager Christopher Brady said that staff would provide additional information on various budget items, and he requested that Deputy City Manager Kari Kent review items regarding the Mesa Art Center's budget.

Ms. Kent displayed a PowerPoint presentation (**see Attachment 1**) and noted that several months ago the Council received a letter from the City's Museum and Cultural Advisory Board requesting financial assistance for the Mesa Arts Center's resident companies (see page 2 of Attachment 1). She advised that staff is proposing a total of \$15,000 in "in-kind credit" based on each company's percentage of total rental revenues. Ms. Kent added that the allocation per company would range from \$1,350 to \$5,700, which could be applied to their rental fees, set construction and/or marketing. She stated that each company will advise the manner in which the credit is to be allocated.

Mayor Smith noted that arts companies are struggling to survive, and he added that the "in-kind credit" is a creative approach that will bring additional people to the Arts Center and the downtown area.

Councilmember Kavanaugh complimented staff for this proposal which will assist the groups to leverage their funds, and he noted that the City receives revenue in the form of a surcharge on each ticket sold.

In response to a question from Councilmember Richins, Ms. Kent explained that the \$15,000 in-kind credit was allocated based on each company's percentage of the total rental income generated by the six companies. She advised that the resident companies agreed that the allocation process was fair.

Mayor Smith said that this approach increases cash flow without negatively impacting the General Fund.

Mr. Brady noted that although the Council previously agreed to transfer responsibility for administering Human Services allocations to the United Way, staff proposes to delay the transfer to allow time for the United Way to implement leadership changes. He advised that this action would restore a position in Neighborhood Services that was previously identified for elimination. Mr. Brady thanked outgoing Executive Director Carol McCormack for preparing an implementation strategy for the program, which will be available for future discussions when the new United Way leadership is installed.

Mr. Brady addressed the issue of School Resource Officers (SROs) and noted that Mesa Public Schools has announced a reduction in the need for SROs (see page 5 of Attachment 1) for the coming year. He said that grants utilized in the past by the schools to fund the positions have been reduced. Mr. Brady noted that these officers would be available for reassignment by the Mesa Police Department at a cost to the City of \$335,000. He stated that the Police Department will continue to provide coverage in the high schools and will work with the schools to determine if some coverage can be made available for middle schools. Mr. Brady added that Mesa Public Schools has indicated that funding for four SROs would be impacted in the following year, and he advised that staff would factor this information into future budget forecasts.

Mayor Smith noted that SROs in the high schools benefit both the schools and the community. He expressed the hope that the City and Mesa Public Schools can work together to share the financial burden.

Addressing the Fire Department's Life Safety Program (see page 6 of Attachment 1), Mr. Brady stated that the 3.5 positions previously identified for elimination support a volunteer service program valued at \$556,000 each year. He said that the Council requested information on the amount of revenue that would be generated if the initial rate for the Secondary Property Tax remained the same in the second year. Mr. Brady asked Deputy City Manager Bryan Raines to come forward to provide information.

Mr. Raines addressed the Secondary Property Tax (see page 7 of Attachment 1) and advised that the rates from the May 19th General Obligation Bond sale were better than expected, which lowers the debt service payments for the next fiscal year by approximately \$200,000 from the projected amount. He advised that staff recommends that the average tax bill remain at approximately \$62.52.

Mayor Smith advised that there would be debt service savings in the amount of \$548,000, and he emphasized that the Secondary Property Tax rate would not increase in the next year.

Discussion ensued relative to the fact that the bond rates place the City in a better financial position; and that the savings reduces the amount of General Fund dollars required to pay for

debt service, which can then be directed to fund the released SROs and the Fire Department's Life Safety Program.

Mr. Brady noted that Mesa's situation is unusual in that most cities do not pay bond debt with General Fund dollars.

Mr. Raines advised that an estimated \$100,000 in revenues will be generated by establishing the Magma Gas rates similar to the rates charged by Southwest Gas.

Mr. Brady summarized that these are the budget adjustments proposed by staff to be included in the tentative budget scheduled for Council consideration on June 7th and the final budget, which will be presented to the Council on June 21st.

Councilmember Higgins expressed concern regarding the proposed layoff of the City's Municipal Security personnel. She suggested that the downtown parking contracts be brought in-house in order to maintain those positions.

Councilmember Kavanaugh noted that he continues to be concerned with the proposal to eliminate City-staffed security personnel in favor of an outside contractor. He requested that staff investigate the option proposed by Councilmember Higgins.

Mayor Smith noted that the downtown contracts also include subareas related to maintenance, and he asked that staff identify all of the ramifications of bringing the contract in-house.

In response to a question from Councilmember Higgins regarding the possibility of having a month-to-month contract, Mr. Brady expressed the hope that the Council could make a decision at the next meeting.

Mayor Smith noted that in essence, bringing the contract in house would simply be trading one person's job for another person's job.

Councilmember Higgins stated that she feels more responsible for City employees than she would for contract employees.

Mayor Smith noted that the Downtown Mesa Association is a creation of the City of Mesa and that the City Council is the ultimate authority for downtown Mesa.

Councilmember Richins stated that he favors privatization wherever possible.

Mr. Brady advised that staff would provide an analysis of the contracts and the nature of job duties involved.

- b. Post Employment Health Plan Program for eligible Public Safety Personnel Retirement System (PSPRS) personnel.

Deputy City Manager Bryan Raines addressed the Council and advised that he and Human Resources Director Gary Manning would outline a proposal (**see Attachment 2**) that provides long-term Public Safety employees who are eligible to retire from the City with an additional benefit. He explained that at retirement employees are paid for their remaining vacation

entitlement and one-half of their accrued sick time. Mr. Raines noted that the Public Safety Personnel Retirement System (PSPRS) has approved of the plan for Public Safety employees, but the Arizona State Retirement System (ASRS) has not approved a similar proposal for civilian employees. He stated that staff continues to work with ASRS while being careful not to create an unfunded liability for the City.

Mr. Raines advised that the proposal would provide 196 eligible Public Safety employees who have accumulated sick time in excess of the maximum amount payable to participate in a voluntary Post Employment Health Plan (PEHP) account with a minimum value of \$3,000 and a maximum value of \$20,000. He noted that staff estimates that approximately 20 percent of the eligible employees would chose to participate in the program.

Mr. Raines reported that approximately 90 percent of the eligible employees are at the top of their pay range, and he stated that the City would experience considerable savings because replacements for these employees would be hired at a lower level of the pay range. He added that the savings that result from a lower level of the pay range and the period of time that the position would be vacant prior to being filled is estimated to be more than twice the amount of the additional benefit paid to the retiring employee.

Mr. Brady stated that the proposal offers a one-time benefit to retirement-eligible employees which will result in a multi-year cost savings for the City.

In response to a question from Councilmember Higgins, Mr. Raines advised that ASRS is cautious regarding a plan that would encourage employees to retire earlier than their normal retirement date, which could create an unfunded liability to the system. He explained that the identified Public Safety employees are already eligible to retire and therefore no unfunded liability would be created.

Mayor Smith noted that several cities in the Valley offered financial incentives to employees to retire early, thereby creating an unfunded liability for ASRS. He cited the example of a 55 year old employee who was provided an incentive to retire and who would have normally retired at the age of 60, which resulted in five additional years of pension liability that the system did not anticipate.

Mr. Brady added that ASRS also anticipated receiving five years of payments from that employee.

Mayor Smith advised that ASRS calculated the cost of these types of programs and billed each City for the unfunded liability that was created.

Mr. Brady stated that PSPRS determined that the City's proposal would not create an unfunded liability because the individuals identified are already eligible for retirement.

Mr. Manning explained that an unfunded liability can be created in two ways: one is if the incentive pay is calculated into the pension resulting in a pension payment that is higher than what would normally have been anticipated; and the other is that although this proposal would not impact the employee's pension amount, the employee, according to the actuary, might have otherwise continued to be employed and contributing to the system.

Mr. Manning advised that a recent Statute was enacted that applies to ASRS and stipulates that anything provided to the employee that is conditional on separation and results in an increase in pension payments creates an unfunded liability.

Mr. Brady said that staff hoped to implement both programs at the same time, but the proposal is to move forward with the program for PSPRS.

Responding to a question from Councilmember Higgins, Mr. Brady stated that Public Safety employees currently in the Deferred Retirement Option Plan (DROP) could participate in the proposed program. He added that as the program progresses, the Council would receive updates on the status of the program.

Mayor Smith thanked staff for the presentation.

2. Acknowledge receipt of minutes of various boards and committees.

- a. Library Advisory Board meeting held on March 9, 2010.
- b. Parks & Recreation Board meeting held March 10, 2010.

It was moved by Councilmember Higgins, seconded by Councilmember Kavanaugh, that receipt of the above-referenced minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those members present.

3. Hear reports on meetings and/or conferences attended.

Councilmember Kavanaugh: Grand opening of the Braun Corp. Distribution Center.

Councilmember Higgins: Desert Challenge Games for disabled athletes.
Threw out the first pitch at the WAC League tournament.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Thursday, June 3, 2010, 7:30 a.m. – Study Session

Monday, June 7, 2010, 3:30 p.m. – Community and Neighborhood Services Committee

Monday, June 7, 2010, TBA – Study Session

Monday, June 7, 2010, 5:45 p.m. – Regular Council Meeting

Mr. Brady advised that public meetings regarding the Zoning Code Update are ongoing and information is available on the City's website.

Mr. Brady congratulated the City's Fleet Services Division for being recognized as one of the top 100 fleet operations out of 38,000 operations in the United States.

5. Items from citizens present.

Matt Tolman, the owner of a downtown business located within the Downtown Mesa Association (DMA) area, expressed concern that the DMA is not truly supporting the downtown merchants. He noted that the businesses have developed successful promotions without the assistance of the DMA, and he added that several businesses may close in the near future.

6. Convene an executive session.

It was moved by Councilmember Richins, seconded by Councilmember Higgins, that the Council adjourn the Study Session at 8:29 a.m. and enter into Executive Session.

Mayor Smith declared the motion carried unanimously by those present.

- a. Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. A.R.S. §38-431.03A (4))

1. Meet and Confer

7. Adjournment.

Without objection, the Executive Session adjourned at 9:00 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 27th day of May, 2010. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachment: 2